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ANNUAL REPORT FOR THE FISCAL YEAR ENDED OCTOBER 31, 1964

DIVCO-WAYNE / CORPORATION

DIRECTORS

Harold Drimmer	*Chairman*
Luke P. Carroll	
Newton Glekel	
Frank W. Hall	
Harry Meresman	
Arthur Sheinberg	
James H. Spencer	

OFFICERS

Newton Glekel	*President*
Harold B. Streem	*Executive Vice President*
Stewart Edgerton	*Vice President—Finance, and Treasurer*
James H. Spencer	*Secretary*
Arthur Sheinberg	*Assistant Secretary*
Bertram H. Slater	*Assistant Secretary*
Lloyd G. Stinson	*Assistant Secretary*

DIVCO-WAYNE INDUSTRIES, INC.

OFFICERS

Robert H. Ruhl	*President*
Robert J. Sedlak	*Vice President of Operations, Eastern Plants*
Lee Posey	*Vice President, General Manager—Star Division*
Joseph H. Gillis	*Vice President—Purchasing*
George Pastilla	*Vice President—Manufacturing*

DIVCO-WAYNE SALES FINANCIAL CORP.

OFFICERS

Harold B. Streem	*President*
Noel Graubart	*Vice President*
Harry Burleson	*Treasurer*
Lynn Corbett	*Assistant Treasurer*
Peter A. Layton	*Secretary*

TRANSFER AGENTS

National Bank of Detroit, Detroit, Michigan
The Chase Manhattan Bank
1 Chase Manhattan Plaza, New York, New York

REGISTRARS

Manufacturers National Bank of Detroit
Bankers Trust Company, New York

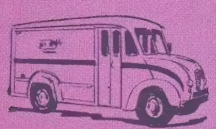
DIVIDEND DISBURSING AGENT

National Bank of Detroit
Detroit 32, Michigan

ANNUAL REPORT FOR THE FISCAL YEAR ENDED OCTOBER 31, 1964

DIVCO-WAYNE / CORPORATION

Divco



Wayne

Miller-Meteor

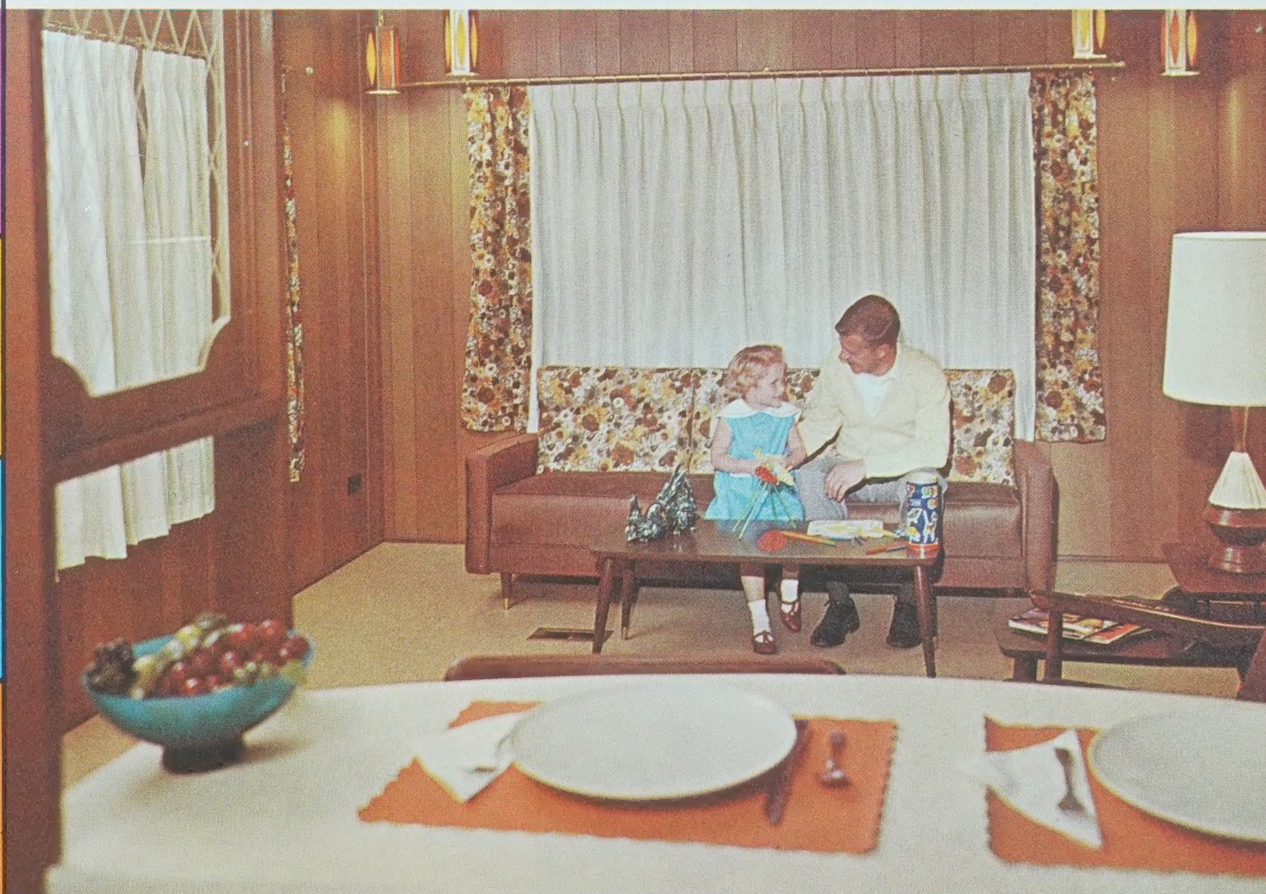
Divco-Wayne Industries

Divco: Manufactures custom engineered multi-stop delivery trucks.

Wayne: Produces bodies for buses and specialized military vehicles.

Miller-Meteor: Fabricates ambulances and funeral cars.

Divco-Wayne Industries: Foremost builder of mobile homes designed for permanent housing.



Divco-Wayne mobile homes are designed for comfortable family living. This cozy interior is one of the many options available.

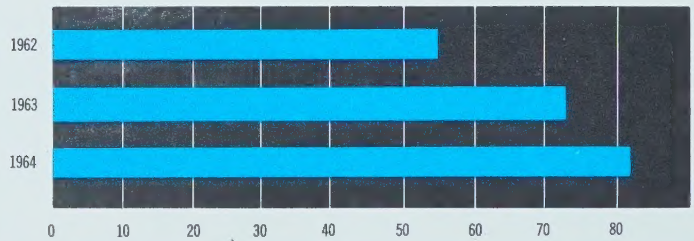
FINANCIAL HIGHLIGHTS

	1964	1963
Net Sales	$82,005,874	$70,953,608
Pre-Tax Earnings	5,096,903	4,088,907†
Net Earnings	2,856,903	2,243,907†
Cash Dividends	836,553	540,626
Stockholders' Equity	16,689,415	14,479,209†
Net Current Assets	14,852,153	13,499,202
Number of Shares Outstanding	1,121,608	1,108,608*
Pre-Tax Earnings Per Share	$ 4.54	$ 3.69*
Net Earnings Per Share	2.55	2.02*
Cash Dividends Per Share	.75*	.4875*
Stockholders' Equity Per Share	14.88	13.06*

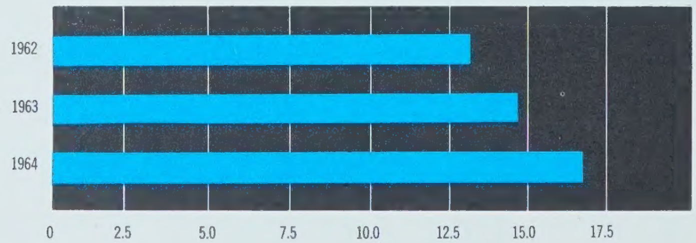
†See Note D to financial statements.

**Adjusted for 4 for 3 stock split in March, 1964.*

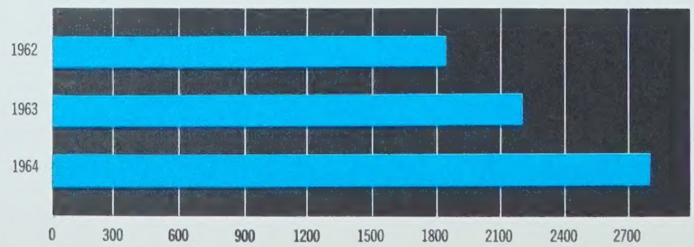
SALES *in millions of dollars*



STOCKHOLDERS' EQUITY *in millions of dollars*



NET EARNINGS *in thousands of dollars*



TO OUR STOCKHOLDERS:

Your company enjoyed record sales and earnings during the fiscal year ended Oct. 31, 1964.

Consolidated net sales reached $82,005,874, an increase of 15 per cent over the $70,953,608 a year earlier. Net earnings totaled $2,856,903, a gain of 27 per cent over the $2,243,907 last year, while per share earnings were $2.55 compared with $2.02 a year earlier.

The company's financial position remains strong. Working capital at the end of fiscal 1964 totaled $14,852,153. The ratio of current assets to current liabilities is 2.7 to 1.

Favorable earnings during the year enabled your Board of Directors to increase the quarterly dividend from 20 cents to 25 cents. The increase, together with the 4-for-3 stock split in March, represents an increase of 66 per cent in the dividend rate during the fiscal year.

A factor which contributed to our record during 1964 was continued strong demand for mobile homes. Our rate of growth exceeded the 24 per cent unit gain reported for the industry by the Mobile Home Manufacturers Association.

Sales of trucks, funeral coaches and ambulances held well and improved on results in the prior year. Our Wayne Division, which manufactures buses, encountered difficulties which affected its earnings. These have now been resolved.

Our program of plant enlargement and modernization continued with the expansion of our plant in Leesburg, Florida, which was completed in February 1964.

In Texarkana, Texas, your company built an 85,000 square foot plant to replace a smaller facility which was destroyed by fire. The new building opened in August 1964.

To prepare for anticipated growth in our mobile home division, we have acquired sites for new plants in Ottawa, Kansas, and Salisbury, North Carolina. Construction will start immediately and we expect to have the plants in operation by the summer of 1965.

A new bus plant for our Wayne Division is also being planned.

New plant construction is in line with our management philosophy to have the flexibility needed to take advantage of situations as they arise. We feel that Divco-Wayne faces a time of great opportunity which requires preparation in terms of production facilities, management organization, and product orientation. We have built a strong top management team and are preparing for the future with an effective middle-management organization.

Further opportunities to broaden product lines and markets through the acquisition of other companies are being explored. While these explorations are a continuing activity, no acquisitions were consummated during 1964.

We feel, however, that our strong financial position along with experience gained from previous acquisitions, and our decentralized operational management put the company in an advantageous position to extend the diversification program as favorable opportunities develop.

We again express appreciation to shareholders for their interest and support, to employees for their part in the progress made during the year, and particularly to customers for their continued confidence in our products.

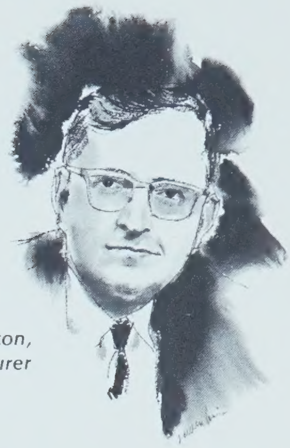
By Order of the Board of Directors

Newton Glekel

Newton Glekel, *President*

January 8, 1965

This scene in Arabian Gardens Mobile Estates, Indio, California shows how Divco-Wayne serves the public's living, transportation, food and health service needs.



Stewart Edgerton,
Vice President—Finance and Treasurer

Quality goes into all of Divco-Wayne's products whether they be buses, trucks or the luxurious living room of a mobile home.

Divco-Wayne manufactures products which fulfill the basic needs of the environment in which we live. The company's "bread and butter" products cover health services, suppliers of food needs, transportation for education, and basic housing.

The corporation is the leader or shares leadership in each of the fields in which it markets its products. All of the products require similar skills in terms of engineering capabilities and basic production techniques, and all are sold through dealers.

Because of the similarity of the product lines, Divco-Wayne is able to take advantage of savings brought about by central purchasing and material and inventory control for all divisions.

Tight fiscal controls enable the corporation to tailor budgets to fit the sliding curve of economic conditions. Strong central accounting and financial controls provide division managers and corporate management with current performance data highlighting trends and special problems as they occur.

DIVCO-WAYNE INDUSTRIES....

Robert H. Ruhl,
President, Divco-Wayne Industries

As the nation's largest producer of mobile homes, Divco-Wayne Industries is in an excellent position to continue its dominance in this rapidly growing field.

With demand for our products increasing, we plan to open three new plants during 1965 and have acquired sites in Ottawa, Kansas and Salisbury, North Carolina. A third site has been selected in the Los Angeles area.

Two existing plants in Hensall, Ontario and McMinnville, Oregon are being expanded and modernized. Divco-Wayne Industries also plans to produce travel trailers in the United States. Production of travel trailers presently is limited to Canada.

Interest in travel trailers is on the increase and the major segment of the potential market has yet to be tapped.

The travel trailer market is separate from the mobile home market and the two are not in conflict.

While mobile homes are used as primary dwellings, travel trailers are used as recreational equipment. The two product lines are, for the most part, sold to different segments of the population.

Mobile homes and travel trailers are sold fully-equipped with major appliances, one or two complete baths and furniture, including draperies, lamps and carpeting. They are centrally heated by gas, oil or electric furnace.

Figures compiled on the mobile home industry during 1964 provide an indication of growth and your company's relationship to it. Rate of growth for the industry showed a unit gain of 24 per cent. DWI, however, outpaced the industry with an increase of 36 per cent over the previous year.

Estimated retail volume for the industry exceeded $1 billion.

To make the DWI franchise more valuable to its dealers, the marketing group has been strengthened and is embarking on an aggressive program of dealer promotions designed to help them improve their positions in their respective selling areas. Dealer promotions will also help show the consumer that DWI stands alone as the industry leader.

Another step in the marketing program is the availability, for the first time, of a DWI nationally marketed brand. The "Star" mobile home is being produced in three plants and will be promoted and sold nationally. Plans have been prepared to add other DWI brand names to national distribution.

During 1963 one out of every nine single family dwelling starts in the U.S. was a mobile home. During 1964 this figure increased to one in six.

Size and economy has become a factor in popularity. Mobile homes range from 500 square feet up to 1,400 square feet in living area and retail from $3,500 to $16,000. Nor is mobile home living restricted to any segment of society. The U. S. Census estimates that more than 4,000,000 persons live in mobile homes.

A sampling taken by the census from 1,000,000 mobile home households shows the following vocational breakdown:

Professional-technical	5.1 per cent
Managers, proprietors	5.1
Sales workers	2.8
Clerical	3.9
Craftsmen (skilled)	21.4
Operatives (semi-skilled)	18.8
Service	4.4
Laborers	6.8
Household workers	.5
Military	7.8
Farmers	1.1
Retired, semi-retired	22.3

This broad base upon which mobile home sales are built contributes to the stable market for DWI's products.

In addition to serving as living quarters, DWI mobile homes serve as temporary office space, as branch banking quarters, as vacation lodges and dozens of other uses.

These interior views indicate the great variety and appea available in the company's broad line of mobile homes.

This selection of comfortable mobile home interiors offered by Divco-Wayne shows one of the reasons why D-W is the leading producer of mobile homes.

Harold B. Streem,
Executive Vice President

The Divco Division produces multi-stop delivery trucks designed primarily for home delivery and other route services where rugged construction, long life, low maintenance and low operating costs are essential.

Progress of the Division continued during 1964. Outstanding during the year was the introduction of Divco's new six-case-wide delivery truck for the Dairy Industry.

With its carrying capacity 20 per cent greater than competitive vehicles, the 1965 Divco six-wide should further strengthen the Division's hold on the home delivery retail milk truck market. The truck is available in six body sizes.

During 1965 Divco will offer a total of 33 different truck models in its line of custom-designed vehicles. As the only manufacturer of multi-stop delivery trucks offering insulated and refrigerated and standard models, the Division is in a strong position to increase its hold on the expanding service business market which uses the Divco truck as the standard of quality.

The Division also increased its nationwide network of distributors and parts depots during 1964.

The rigid quality control to which Divco trucks adhere is reflected in their durability, economy of operation, and their widespread use. It is estimated that 70 per cent of all home delivered milk is carried in Divco trucks.

MILLER-METEOR DIVISION

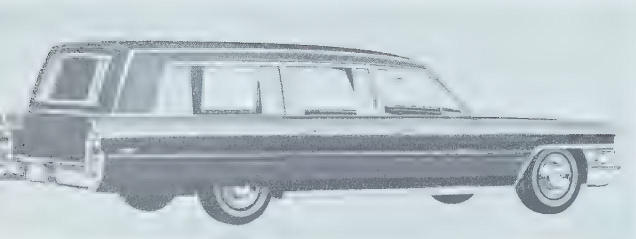
The Miller-Meteor Division continued its growth in 1964 and registered the best sales year in its history. The Division is the foremost producer of ambulances and funeral cars on the Cadillac chassis. It also designs and builds vehicles for the specialized needs and use of emergency squads, fire departments, civil defense and other disaster units.

Miller-Meteor's newly designed 1965 models should assure its retention of a substantial portion of the market it serves. The new models feature a beveled styling .which is in complete harmony with the Cadillac contour.

A Miller-Meteor "first" during 1964 was the opening of its new Research and Development Center in Piqua, Ohio. New designs, advanced manufacturing techniques and new materials are being developed at the R&D facility.

The Division has the resources and know-how needed to explore the future and to thoroughly test materials and construction before offering them to customers.

Assuring a constant market for Miller-Meteor products is the growing population and expanding suburban communities which require increased hospital facilities, rescue squads, civil defense organizations and expanded fire departments. Miller-Meteor's "hospital on wheels" sets the standard for many communities.



The engineering and design of Miller-Meteor professional cars and ambulances have played an important role in the Division's dominance of its market.

WAYNE DIVISION

The Wayne Division is one of the nation's largest producers of school buses. Its principal plant is in Richmond, Indiana.

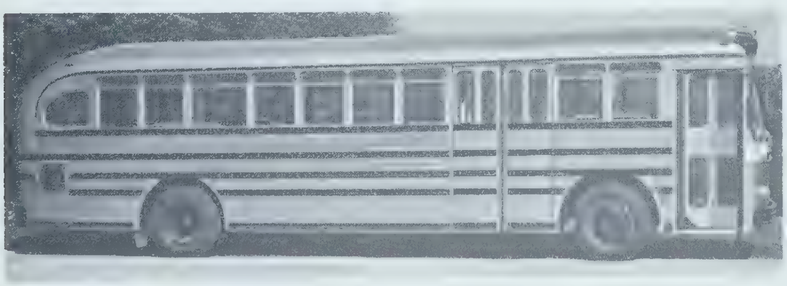
Fiscal 1964 saw the fruition of a four-year design project of the Division as the first all-new 1965 bus model came off the production lines.

The 1965 bus introduces a new concept in design and is expected to set standards of performance, safety and comfort providing a major forward step in the transportation field. It surpasses all state and national safety standards and is styled with a square look—new to school buses—which creates a sheer modern profile for the vehicle.

Depressed prices and unsatisfactory production standards resulted in lower than normal profits during the year. However, an examination of the problem by a team representing management and labor has created a more favorable climate which augurs well for the future.

Confidence in the future is reflected by plans calling for construction of a new Wayne plant during 1965. The plant will meet anticipated future growth for school bus sales. U.S. Department of Health, Education and Welfare projections show the student population increasing at a more rapid rate than the general population. More than one out of every three school-age children ride to school in a bus.

The new plant will contain equipment which will produce many components now being purchased from outside sources. The extra capacity available to the facility will open the way to additional markets making it possible to maintain year 'round plant production schedules.



Dependability, safety and comfort are the criteria used in the construction of Wayne buses. The modern styling of the school bus features the new, crisp, sheer look.

	October 31, 1964	October 31, 1963
ASSETS		
CURRENT ASSETS:		
Cash	$ 4,838,214	$ 3,083,502
Accounts and notes receivable—including $659,984 in 1964 due from unconsolidated subsidiary (less allowance for doubtful accounts and notes, $239,534—1964; and $178,978—1963)	6,945,313	7,154,076
Inventories—at lower of cost (first-in, first-out method) or market	11,519,756	11,102,039
Prepaid expenses	140,287	217,824
TOTAL CURRENT ASSETS	$23,443,570	$21,557,441
INVESTMENT IN AND RECEIVABLE FROM UNCONSOLIDATED FINANCE SUBSIDIARY (Note A)	$ 2,082,354	$ 2,413,802
PROPERTY, PLANT AND EQUIPMENT, at cost (Note D):		
Land	$ 830,562	$ 400,948
Buildings	4,340,403	3,923,784
Machinery and equipment	3,095,190	3,129,901
	$ 8,266,155	$ 7,454,633
Less accumulated depreciation	3,123,491	3,033,446
	$ 5,142,664	$ 4,421,187
Tools, dies and patterns—at cost less amortization	687,244	695,018
	$ 5,829,908	$ 5,116,205
	$31,355,832	$29,087,448

BALANCE SHEET

LIABILITIES AND STOCKHOLDERS' EQUITY

	October 31, 1964	October 31, 1963
CURRENT LIABILITIES:		
Accounts payable	$ 3,635,904	$ 3,861,336
Salaries, wages and payroll taxes	1,427,044	1,543,827
State taxes, interest and other expenses	893,074	713,919
Federal and Canadian taxes on income	2,160,395	1,464,157
Current maturity on note payable	475,000	475,000
TOTAL CURRENT LIABILITIES	$ 8,591,417	$ 8,058,239
NOTE PAYABLE TO INSURANCE COMPANY—5.9%, due in annual installments of $475,000 to July 1, 1978, less current maturity (Note B)	$ 6,075,000	$ 6,550,000
STOCKHOLDERS' EQUITY (Notes A, B, C and D):		
Common stock, par value $1 a share: Authorized, 1,500,000 shares Issued, 1964—1,124,939 shares; 1963—836,456 shares	$ 1,124,939	$ 836,456
Additional capital	5,838,463	5,990,270
Retained earnings, after transfers to common stock and additional capital of $2,905,695 since 1959	9,779,126	7,758,776
Cost of common stock held in treasury (deduction*)	53,113*	106,293*
	$16,689,415	$14,479,209
	$31,355,832	$29,087,448

See notes to financial statements.

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY

	Year Ended October 31, 1964				1963
	Common stock issued, par value $1 a share	*Additional capital*	*Retained earnings*	*Total*	*Total*
Balance at beginning of year (Note D)	$ 836,456	$5,990,270	$7,758,776	$14,585,502	$12,873,581
Net earnings for the year	—	—	2,856,903	2,856,903	2,243,907
Par value of common stock issued in connection with four for three stock split approved during the year	279,858	279,858*	—	—	—
Cash dividends declared ($.75 a share in 1964 and $.4875 a share in 1963, both as adjusted for stock split)	—	—	836,553*	836,553*	540,626*
Shares issued under stock option incentive plan	8,625	117,323	—	125,948	8,640
Proceeds in excess of cost of treasury stock	—	10,728	—	10,728	—
Balance	$1,124,939	$5,838,463	$9,779,126	$16,742,528	$14,585,502
Less cost of common stock held in treasury (3,331 shares—1964; 5,000 shares—1963)				53,113	106,293
Balance at end of year				$16,689,415	$14,479,209

*DEDUCT

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

Year Ended October 31, 1964

(A) The accounts of all wholly-owned subsidiaries except those of the finance subsidiary are consolidated in the financial statements from dates of acquisition. The investment in the unconsolidated subsidiary is stated at equity in net assets and net earnings of the finance subsidiary for the year are included in net earnings. The consolidated balance sheet of Divco-Wayne Sales Financial Corporation and subsidiary at October 31, 1964 was:

ASSETS

Cash	$ 506,950
Notes receivable (less unearned finance charges $595,752)	4,644,826
Other assets	25,857
	$5,177,633

LIABILITIES AND STOCKHOLDER'S EQUITY

Liabilities:	
Notes payable to banks	$2,041,753
Other	1,053,526
Stockholder's equity	2,082,354
	$5,177,633

(B) The loan agreement relating to the note payable imposes, among other covenants, certain restrictions and limitations on working capital and cash dividends. Working capital (as defined) will not be less than $11,000,000 at any time; cash dividends declared or paid after October 31, 1962 are not to exceed $500,000 plus 60% of net earnings (as defined) of the Company and its consolidated subsidiaries after that date. Of the retained earnings at October 31, 1964, $1,920,000 is available for dividends. If all of the retained earnings of the unconsolidated finance subsidiary were paid as dividends to the parent Corporation, approximately $720,000 more would be available.

(C) Options to purchase common stock have been granted to executives and key employees under the Stock Option Incentive Plan which was approved by the stockholders at the annual meeting in February, 1964 and were granted in prior years under a plan which expired on December 31, 1962. Options were granted under the new plan and under the old plan at prices ranging from $6.82 to $18.89 a share, representing 95% of the market price at the date of grant, as adjusted for subsequent stock split and dividends. Options were granted during the current year under the new plan at $21.47 a share

CONSOLIDATED STATEMENT OF NET EARNINGS

	Year Ended October 31, 1964	1963
Net sales	$82,005,874	$70,953,608
Net earnings of unconsolidated finance subsidiary (Note A)	168,552	220,285
Other revenue	31,284	47,929
	$82,205,710	$71,221,822
Costs and expenses:		
Cost of products sold	$70,631,474	$61,532,096
Selling expenses	3,005,675	2,652,609
Administrative expenses	3,036,490	2,409,884
Interest expense	435,168	538,326
	$77,108,807	$67,132,915
EARNINGS BEFORE FEDERAL AND CANADIAN TAXES ON INCOME	$ 5,096,903	$ 4,088,907
Federal and Canadian taxes on income	2,240,000	1,845,000
NET EARNINGS FOR THE YEAR (Note D)	$ 2,856,903	$ 2,243,907
Net earnings per share outstanding at the end of the year (1963 adjusted for stock split)	$ 2.55	$ 2.02
Depreciation and amortization of property, plant and equipment	$ 807,797	$ 767,843

See notes to financial statements.

as adjusted for stock split, representing 100% of the market price at the date of grant. At October 31, 1964 options for 3,222 shares were exercisable. Transactions for the year are summarized as follows:

	Number of shares Total	Unop-tioned	Op-tioned
Reserved at beginning of year	29,384	2,000*†	31,384
Additional shares reserved by approval of stockholders	20,000	20,000	—
Options canceled	7,905*	—	7,905*
Options exercised at an aggregate price of $125,948	8,625*	—	8,625*
Options granted	—	3,500*	3,500
Adjustment for stock split	15,416	4,833	10,583
Reserved at end of year	48,270	19,333	28,937

*Deduct.
†Granted in 1963 subject to approval of the plan reserving additional shares by shareholders at the 1964 annual meeting.

(D) Because of specific tax benefits derived from having provided, upon and as of acquisition date of Vought Industries, Inc., for certain items which became valid tax deductions in fiscal 1962, the carrying values, as of March 1, 1962, of the fixed assets included in the acquisition have been adjusted by $150,000. As a result, retained earnings as of October 31, 1963 have been decreased by $123,000 from those previously reported, while net earnings for the years ended October 31, 1963 and October 31, 1962 have been increased by $17,000 and $10,000, respectively.

CONSOLIDATED STATEMENT OF CHANGES IN NET CURRENT ASSETS

	Year ended October 31, 1964	1963
Net earnings for the year	$ 2,856,903	$ 2,243,907
Deduct net earnings of unconsolidated subsidiary included above	168,552	220,285
	$ 2,688,351	$ 2,023,622
Add:		
Depreciation and amortization charged against net earnings	807,797	767,843
Proceeds of employee exercises of stock options under stock option incentive plan	125,948	8,640
Net additions to working capital arising through reissue of treasury shares	63,908	—
Decrease (increase) in loan to unconsolidated subsidiary	500,000	(300,000)
	$ 4,186,004	$ 2,500,105
Deduct:		
Cash dividends	$ 836,553	$ 540,626
Reduction of long-term debt	475,000	475,000
Net additions to property, plant and equipment	1,521,500	1,014,776
Cost of common stock purchased for treasury	—	106,293
	$ 2,833,053	$ 2,136,695
Changes in net current assets	$ 1,352,951	$ 363,410
Net current assets at beginning of year	13,499,202	13,135,792
Net current assets at end of year	$14,852,153	$13,499,202

See notes to financial statements.

Board of Directors,
Divco-Wayne Corporation,
Richmond, Indiana

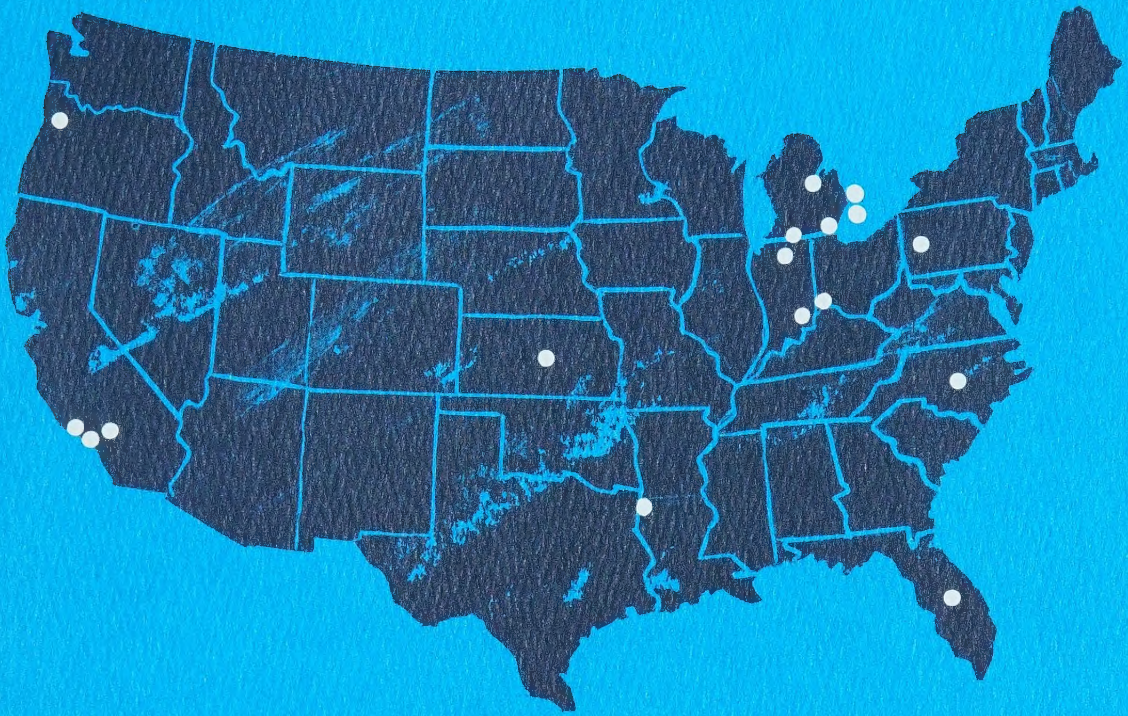
We have examined the accompanying consolidated balance sheet of Divco-Wayne Corporation and consolidated subsidiaries as of October 31, 1964, and related statements of net earnings and stockholders' equity and changes in net current assets for the year then ended. Our examination was made in accordance with generally accepted auditing standards, and accordingly included such tests of the accounting records and such other auditing procedures as we considered necessary in the circumstances.

In our opinion, the financial statements referred to above present fairly the consolidated financial position of Divco-Wayne Corporation and consolidated subsidiaries at October 31, 1964, and the consolidated results of their operations for the year then ended, in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year. Further, it is our opinion that the consolidated statement of changes in net current assets presents fairly the information therein set forth.

New York, New York
December 15, 1964

Touche, Ross, Bailey & Smart

DIVCO-WAYNE PLANT EXECUTIVES



Divco Division
Detroit, Michigan
Max V. Downing

Wayne Division
Richmond, Indiana
Harvey P. Leventhal

Miller-Meteor Division
Piqua, Ohio
Vernon R. Allen

Welles Corporation Ltd.
Windsor, Ontario, Canada
Charles H. Ramin

Divco-Wayne Industries

Pan American Division
Monrovia, California
John Muehring

Terra Cruiser Division
Downey, California
Jack W. Winklepleck

Rex Division
McMinnville, Oregon
Herschell G. Swanson

Texarkana Division
Texarkana, Texas
Henry P. Eckstein

Star Mobile Home Division
William Lewis,
Santa Fe Springs, California
Lee Posey, Union City, Michigan
William Rowe, Leesburg, Florida

Elcar Division
Bourbon, Indiana
Patrick J. Flynn

General Homes Division
Marlette, Michigan
General Coach of Canada, Ltd.
Hensall, Ontario, Canada
Jack Clayton

ABC Clarion Division
Clarion, Pennsylvania
Arthur A. Warner

PLANTS UNDER CONSTRUCTION:
OTTAWA, KANSAS • SALISBURY, N. C.

ANNUAL REPORT 1964

DIVCO-WAYNE / CORPORATION